

DECISION DOCUMENT

Major Construction Contract Advertising Timeframes

Problem Statement: The existing schedule of major construction contract advertising timeframes does not adequately address project complexity and may not allow contractors sufficient time to prepare competitive and responsive bids.

Recommendation: Implement minimum advertising periods based on project complexity that allow contractors sufficient time to prepare competitive and responsive bids. DES-OE will increase advertising periods above the minimums listed below to balance bid opening schedule, construction windows, funding constraints, etc. as necessary.

Minimum advertising periods will be as follows:

- Safety 010 contracts = three weeks*
- Contracts with less than 50 items or plan sheets = four weeks
- Contracts with 50 to 100 items or plan sheets = five weeks
- Contracts with more than 100 items or plan sheets = seven weeks

*Unless the contract has 50 or more bid items or plans – then the longer advertising periods are used as shown.

Informal bids contracts and Minor B Contracts are not affected by this change.

Fiscal Impact: The potential increase in the number of bidders on major construction contracts would yield more competitive bids.

Organizational Impact:

- **Employee Impact:** None known.
- **Stakeholder Impact:** Contractors should have sufficient time to prepare competitive and responsive bids.

Policy Impact: Rescinds the March 5, 2001 unnumbered decision document (attached).

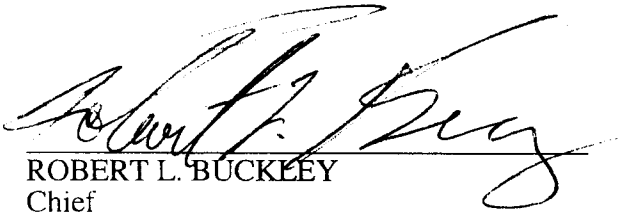
Risks: Longer advertisements may in some cases jeopardize contract award within six months of CTC vote. However, contractors will have more time to prepare competitive and responsive bids, thereby reducing incidences of bid rejections and relief from bid.

Proposed Implementation Schedule:

- Associated General Contractors (AGC) Briefing – September 2006
- Southern California Contractors Association (SCCA)/Engineering and Utilities Contractors Association (EUCA) Briefing – October 2006
- Caltrans Small Business Council Briefing – October 20, 2006
- Implement new advertising schedules – December 2006

Contact Person: Kris Kuhl, Chief, Office of Contract Awards and Services, DES-Office Engineer. Email: Kris.Kuhl@dot.ca.gov. Telephone: (916) 227-6280.

APPROVAL RECOMMENDED BY:



ROBERT L. BUCKLEY
Chief
Division of Engineering Services

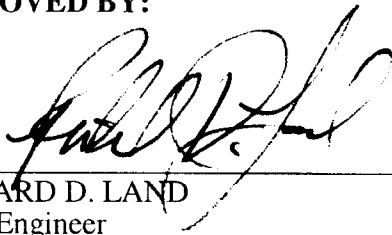
11/28/06
Date



ROBERT PIEPLOW
Chief
Division of Construction

11.30.06
Date

APPROVED BY:



RICHARD D. LAND
Chief Engineer

12-21-06
Date

Attachment

DECISION DOCUMENT ATTACHMENT

Major Construction Contract Advertising Timeframes

1. **Problem Statement:** The existing schedule of major construction contract advertising timeframes does not adequately address project complexity and may not allow contractors sufficient time to prepare competitive and responsive bids.
2. **Recommendation:** Implement minimum advertising periods based on project complexity that allow contractors sufficient time to prepare competitive and responsive bids. DES-OE will increase advertising periods above the minimums listed below to balance bid opening schedule, construction windows, funding constraints, etc. as necessary.

Minimum advertising periods will be as follows:

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*Unless the contract has 50 or more bid items or plans – then the longer advertising periods are used as shown.

Informal bids contracts and Minor B Contracts are not affected by this change.

3. Background:

- 3.1. **Description:** DES-Office Engineer currently schedules contract advertisements as follows:

<u>Contract Size</u>	<u>Advertising Period</u>
<\$1 million	3 or 4 weeks*
\$1-5 million	4 weeks
\$5-15 million	5 weeks
\$15-25 million	6 weeks
\$25-50 million	7 weeks
>\$50 million	8 weeks or more

* Simple projects with 20 or less items or plan sheets and Safety 010 projects advertised for 3 weeks.

Since the 2001/2002 fiscal year, the average number of bidders on major construction contracts has dropped from approximately 5.5 bidders/contract to about 3.5 bidders/contract. While the drop in bidders is attributable to many factors (post 9/11 bonding constraints, state highway account fluctuation, materials shortages, etc.), many contractors have complained that the Department often does not allow sufficient time in the bid preparation (advertising) period to prepare a competitive and responsive bid. DES-Office Engineer studies have correlated the number of bidders with bids that are at or below the Engineer's Estimate. Also, there were 12 contracts advertised in the 2005/6 fiscal year with no bidders.

As part of the Department's "Go-California" efforts to be the customer of choice for the highway construction industry, highway construction contractors were surveyed for their views of the major construction contract advertising timeframes. While approximately 77% of the respondents believed our current advertising schedules were sufficient for their bid preparation, many expressed views that the advertising schedule did not adequately account for project complexity or constraints.

DES-Office Engineer staff conducted a telephone survey of other State DOT's concerning their advertising schedules. With 90 percent of the states responding, the prevailing practice among the DOT's is advertising schedules of four weeks, with large, complex projects being advertised for six to eight weeks.

The proposed advertising timeframes were developed by correlating the advertising periods of projects awarded in the 2005/2006 fiscal year with the corresponding number of plan sheets or items. The timeframes proposed are the average duration for projects of similar size.

4. Alternatives:

4.1. Alternative A: "No Action Alternative..."

- 4.1.1. If no action is taken, contractors may not have sufficient time to prepare responsive and competitive bids – causing requests for bid opening delays, requests for relief from bid and declining numbers of bidders.

4.2. Alternative B: Recommended Alternative.

- 4.2.1. The major construction contract advertising timeframes would be changed as described above. DES-Office Engineer would adjust the minimum advertising timeframes upward for projects with constraints or unique features.
- 4.2.2. Fiscal Impact: The potential increase in the number of bidders on major construction contracts would yield more competitive bids.
- 4.2.3. Organizational Impact
 - 4.2.3.1. Employee Impact: None Known.
 - 4.2.3.2. Stakeholder Impact: Contractors should have sufficient time to prepare competitive and responsive bids. Industry feedback on this proposal has been positive.
- 4.2.4. Policy Impact: Rescinds the March 5, 2001 unnumbered decision document (attached).
- 4.2.5. Risk: Longer advertisements may jeopardize contract award within six months of CTC vote in some cases. However, contractors will have more time to prepare competitive and responsive bids, thereby reducing incidences of no bidders, bid rejections and relief from bid.
- 4.2.6. Proposed Implementation Schedule
 - Associated General Contractors (AGC) Briefing – September 2006
 - Southern California Contractors Association (SCCA)/Engineering and Utilities Contractors Association (EUCA) Briefing – October 2006
 - Caltrans Small Business Council Briefing – October 20, 2006
 - Implement new advertising schedules – December 1, 2006

5. Performance Measures:

5.1 Deliverable(s):

What is the deliverable? Revised major construction contract schedules.

5.2 Change Measure(s)

How effects of the change are to be tracked and evaluated? Average number of bidders per contract, number of contracts with no bidders.

- 6. Contact Person:** Kris Kuhl, Chief, Office of Contract Awards and Services,
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